

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
“Insurance Regulation and Competition for the 21st Century”

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Today, insurance represents one of the critical foundations for our nation's infrastructure. In fact, insurance now represents about 6 ½ percent of consumer household spending, exceeding entertainment, clothing, and health care. Insurance has become an integral part of consumers' lives, and without it, few people would be able to own homes, drive cars, obtain medical care, or provide retirement security for their families. And yet, our American insurance marketplace is entering into a time of crisis.

States collect enormous revenues from insurers, spending only a fraction on insurance regulation and consumer protection. Some States fix prices below the levels necessary to attract adequate capital, even where extensive competition does or could exist. And each State imposes its own regulatory regime for formal approval, creating long delays for consumers and making it impossible for insurers to provide products uniformly nationwide. Consumers ultimately bear the costs of this reduced competition and innovation.

The current patchwork system of insurance regulation also has far reaching international consequences. The financial services marketplace is rapidly becoming more global, with our trade negotiators prying open foreign markets to American products. But we cannot be strong overseas if we are not strong at home. And we cannot argue that foreign markets need to be more open and transparent, when our domestic market is still Byzantine and impenetrable.

To remain competitive, we need to speak with one voice from our country, to harmonize international regulations and ensure adequate consumer protections and solvency oversight. Consumers can not be adequately protected if insurers are subjected to conflicting requirements at the international, Federal, and State levels.

It is my primary hope that our State legislators and insurance commissioners can enact meaningful reform. The States have had some success: significant progress in agent licensing reform, solvency oversight and accreditation. I would note however that this success is far from complete and has only occurred in the face of Congressional legislative pressure, pressure that will continue to grow if the pace of reform does not improve.

Numerous groups have now come forward to our Committee desperate for reform. In fact, some people have tried to take advantage of this by “jumping the gun” and coming forward with proposals before the Committee has had a chance to fully review the great

number of issues that Congress needs to analyze in considering any proposals. But we cannot and will not risk such an important foundation of America's infrastructure without understanding all the risks involved and developing a public record with all industry and consumer groups participating.

We are just beginning to search out a consensus on what reforms might be achievable. Our goal is an industry that is competitive and profitable and brings consumers the efficiency and effectiveness they deserve.

I appreciate our witnesses making the time today to help us grapple with these very difficult issues, and look forward to their testimony. I would like to offer a special welcome to Joe Gasper, the President and Chief Operating Officer of Nationwide, a great company headquartered in my home state of Ohio.